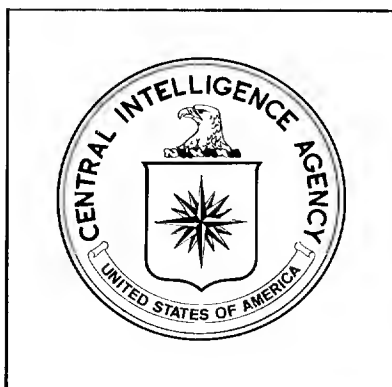


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No. 0255-75
August 25, 1975

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WESTERN EUROPE — CANADA — INTERNATIONAL ORGANIZATIONS

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Debate Over Danish Economic Policy Intensifies

/ A special parliamentary session in September will consider new policy proposals and may develop into a major confrontation between Prime Minister Jorgensen's Social Democratic government and former prime minister Hartling's Liberals.

/-2 Since the election last January the Liberals have cooperated with the government but Hartling is expected to challenge the government's as yet undisclosed economic remedies, which may resurrect the bitter infighting that characterized Danish politics prior to the last election in January. The Social Democrats hold only 54 of the 179 seats in Parliament, while the Liberals control 42 seats.

/ Debate centers on methods to reduce the climbing unemployment rate, running at over 5 percent of the labor force. The Social Democrats favor increasing government expenditures on public construction projects while the Liberals are pressing for limitation of the budget deficit. The Liberals favor easing the tax burden on corporations to stimulate investment.

/-2 The economic problems probably will not result in new elections in the near future, because so little time has passed since the last campaign. If the economic deterioration is not checked by March, when the Danish budget must be passed, pressures for elections may be irresistible.

/ One Liberal Party member forecasts that his party will vigorously oppose Jorgensen's proposals but abstain from a final vote at the special

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/ session. The Liberals would then wait for the policies to be ineffective and press for new elections during the budget debate next spring when the government would be vulnerable to attack. (Confidential No Foreign Dissem)

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